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UNCLAS TEGUCIGALPA 000894

SIPDIS

STATE FOR WHA/CEN, WHA/EPSC, AND EB
STATE PASS AID FOR LAC/CAM
STATE PASS USTR
TREASURY FOR DDOUGLASS
STATE PASS OPIC FOR JEFFERY BARRY, DANA STRENGTH
STATE PASS EXIM FOR WAYNE GARDELLA
GUATEMALA FOR COMATT MLARSEN

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [SMIG](#) [HO](#) [EFIN](#)

SUBJECT: HONDURAS: BANCO FICOHSA TO OPEN REP OFFICE IN U.S.

REF: TEGUCIGALPA 800

1. Banco Ficohsa President and CEO Camilo Atala confirmed to Post on April 21 that his bank has received permission from the U.S. Federal Reserve to open a representative office in Miami, Florida. The bank intends to open the office this summer, with a view toward strengthening ties with investors and strategic partners. As a representative office, the new office will not be permitted to take deposits but will serve as a link to Banco Ficohsa in Honduras. Once it opens, this representative office will reportedly be the first such office of any Honduran bank in the United States. As reported reftel, Ficohsa already has nine "Ficohsa Express" wire transfer offices in the U.S., providing remittance services to Hondurans resident in the U.S. The Fed approval will in no way change the Ficohsa Express operations, which will remain solely wire-transfer services.

2. According to International Vice President Max Contag, the capitalization of the new office is yet to be determined but will likely be the minimum capitalization required by U.S. law. According to Contag, quoted in the Honduran newspaper of record El Herald, Ficohsa is and will remain 100 percent Honduran capital. Contag said the new office would seek new business opportunities for the bank, provide balance information and other information to clients, and inform both U.S. and Honduran businesses of trade and investment opportunities. Under the agreement with the Fed, the Ficohsa representative office may not engage in banking activities.

3. President of the Honduran Central Bank, Maria Elena Mondragon, issued a statement supporting the Fed decision, calling it beneficial for Honduras. She went on to note that this decision not only highlights the solidity of Banco Ficohsa but also is an indication of Fed confidence in Honduran prudential oversight of the banking sector.

4. While Honduran bank regulation has made significant strides in the last year, Mondragon's comments go beyond what the Fed actually said. In its decision, the Fed wrote, "The Board will consider that the supervision standard has been met where it determines that the applicant bank is subject to a supervisory framework that is consistent with the activities of the proposed representative office, taking into account the nature of such activities. This is a lesser standard than the comprehensive, consolidated supervision standard applicable to applications to establish branch or agency offices of a foreign bank. The Board considers the lesser standard sufficient for approval of representative office applications because representative offices may not engage in banking activities." Indeed, the Fed decision goes on to state, "The laws governing bank supervision in Honduras are in need of strengthening. The NCBI [Honduran National Commission on Banking and Insurance] continues to work to obtain additional legislation that would allow it to supervise banks on a fully consolidated basis." (Full text of the Fed decision is available on the Internet at www.federalreserve.gov/boarddocs/press/orders/2005/20050420/attachment.pdf)

Pierce